

Message Text

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ACTION NEA-10

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC IMMEDIATE 5157

C O N F I D E N T I A L CAIRO 6924

E.O. 11652: GDS

TAGS: EFIN CPRS PFOR LG

SUBJECT: US CLAIMS AGAINST EGYPT (SPECIAL REPORT ON FIRST EGYPTIAN
SUBSTANTIVE REPORT)

1. AT CLOSE OF SIXTH MEETING OF JOINT COMMITTEE ON JULY 14 AT UNDERSEC

DEWIDAR'S OFFICE, HIS BOSS, MINISTER OF ECONOMY SHAFEL, JOINED EGYPTIAN

SECTION. AFTER HALF-AN-HOUR'S DISCUSSIONS IN ARABIC, EGYPTIAN SIDE
MADE FOLLOWING FIRST SUBSTANTIVE PROPOSAL.

2. DEWIDAR STATED THAT IT WAS APPARENT AFTER 11 DAYS OF DISCUSSIONS OF

A FEW AGRARIAN REFORM CASES THERE WERE MANY DIFFERENCES AS RESULT OF
EGYPTIAN VERIFICATIONS. THERE WOULD STILL BE MANY MORE DIFFERENCES
ARISING FROM THE NATIONALIZATION AND MISCELLANEOUS CASES, THE VERIFI-
CATION OF WHICH WOULD TAKE A LONG TIME. THE JOINT COMMITTEE WOULD
NOT BE ABLE TO COPE WITH THEM IN PENDING SESSIONS. THE EGYPTIAN
SECTION PROPOSED THAT THE JOINT COMMITTEE, THEREFORE, START WORKING
ON A DRAFT AGREEMENT BY BOTH GOVERNMENTS ALONG THE FOLLOWING LINES.
THE GOVTS OF USA AND ARE WOULD STATE THE PRINCIPLES OF SETTLEMENT
REGARDING THESE CATEGORIES OF CASES, IE LAND REFORM NATIONAL-
IZATION AND SEQUESTRATION, IN ACCORDANCE WITH THE APPLICABLE EGYPTIAN
LAWS, IE LAW NO 178 OF 1952; LAW NO 127 OF 1961 AND LAW NO 15
OF 1963. THE DRAFT AGREEMENT WOULD BE UNCLASSIFIED, WITH NO REPEAT
NO STATEMENT OF ANY GLOBAL AMOUNT, BUT WOULD STATE THAT COMPENSATION
OF US NATIONALS WAS BEING PAID ON THE BASIS OF 65 PERCENT OF THE EGYP-
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OFFICIAL ASSESSED VALUE. THIS WAS NECESSARY BECAUSE OF THE MFN PROVISION IN OTHER AGREEMENTS ALREADY CONCLUDED BY THE GOVT OF ARE. A SEPERATE CLASSIFIED SECRET REPEAT SECRET EXCHANGE OF LETTERS WOULD PROVIDE PAYMENT OF THE BALANCE OF 35 PERCENT TO BE FINANCED FROM OTHER

SOURCES. THE DRAFT AGREEMENT WOULD ALSO PROVIDE FOR THE ESTABLISHMENT OF A JOINT COMMITTEE ON COMPENSATION, OR FOR THE PRESENT JOINT COMMITTEE TO CONTINUE WORK ON COMPENSATION. THE US CLAIMANTS WOULD SUBMIT DOCUMENTS AND OTHER NECESSARY LEGAL EVIDENCE TO THE JOINT COMMITTEE TO SUPPORT AND PROVE THEIR CLAIMS. THIS WOULD TAKE ABOUT 1-2 YEARS. COMPENSATIONS WOULD BE PAID ONLY UPON A CASE BY CASE BASIS AFTER VERIFICATION AND SATISFACTORY DOCUMENTING PROOF. THE EGYPTIAN SECTION STATED THAT IN THE CASE OF CLAIMANTS UNDER OTHER AGREEMENTS, THEY APPLIED DIRECTLY TO THE EGYPTIAN BANKS (CENTRAL EXCHANGE CONTROL).

3. THE US SIDE ASKED ABOUT THE BLOCKED BANK ACCOUNTS AND OTHER MISCELLANEOUS CASES. THE EGYPTIAN SECTION REPLIED THAT MISCELLANEOUS CASES AND NATIONALIZATION CASES WOULD BE COVERED BY THE DRAFT AGREEMENT.

4. THE SITUATION IS NOT CLEAR ABOUT THE CONFISCATION AND EXPROPRIATION CASES WHICH THE EGYPTIAN SECTION DESIGNATED AS FOR PUBLIC UTILITY PURPOSES.

5. AS FOR THE BLOCKED BANK ACCOUNTS, THE EGYPTIAN SECTION STATED THAT THEY WOULD BE HANDLED SEPARATELY BY AN EXCHANGE OF LETTERS. THE INDIVIDUAL AMOUNTS ARE KNOWN IN THE BANKS AND NOT DISPUTED. THE EGYPTIAN SIDE WOULD PROVIDE AN UPDATED COMPREHENSIVE LIST. THE EGYPTIAN SECTION WOULD WRITE TO THE CENTRAL BANK AND INQUIRE AS TO HOW

THEY WOULD PROPOSE HANDLING THEM. ARRANGEMENTS WOULD BE MADE TO PAY THE CLAIMANTS IN PART IN DOLLARS, AMOUNTS TO BE TRANSFERRED AND HOW MUCH TO BE UTILIZED OTHERWISE. THE EGYPTIAN SECTION DID NOT ELABORATE ON THE TERM "OTHER UTILIZATION", ALTHOUGH REQUESTED BY US SIDE.

6. MINISTER SHAFEI HIMSELF STATED IN ENGLISH THAT THE VALUATIONS OF THE EGYPTIAN CENTRAL EXCHANGE CONTROL OR VALUATION COMMITTEES CONFIDENTIAL

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WRE FINAL AND BEYOND DISPUTE. THESE VALUATIONS WERE REPORTED TO THE EGYPTIAN GOVT AND VERIFIED IN ACCORDANCE WITH EGYPTIAN LAW.

7. THE US SIDE REPLIED THAT IT UNDERSTOOD QUITE CLEARLY THE PROVISIONS OF APPLICABLE EGYPTIAN LAW AND THEIR LEGAL EFFECT IN THE EGYPTIAN SYSTEM. HOWEVER, THE USG WAS INVOKING INTERNATIONAL LAW IN THE JOINT COMMITTEE AS TO THE SUFFICIENCY OF THOSE EVALUATIONS.

THAT WAS WHY THERE WAS ESTABLISHED THE JOINT COMMITTEE TO DISCUSS THE CLAIMS BECAUSE THE CLAIMANTS ARE NOT SATISFIED WITH THE LOW OFFICIAL VALUATIONS. THE CLAIMANTS WANT FAIR MARKET VALUE FOR THEIR PROPERTIES. THE EGYPTIANS REPRESENTATIVES ASKED: HOW DO YOU DECIDE ON FAIR MARKET VALUE? THE US SIDE TOOK NOTE OF THE EGYPTIAN POSITIONS STATED AND SAID THAT IT WOULD RESPOND AFTER CONSULTATION WITH THE AMBASSADOR AND THE DEPT.

8. EGYPTIAN POSITIONS WERE REPORTED TO AND DISCUSSED WITH AMB UPON RETURN BY US SIDE. (FYI FOR L-MESSRS SCHWEBEL AND KWIATEK; HUANG STATED THAT PERSONALLY HE DID NOT THINK THE EGYPTIAN PROPOSALS WOULD BE ACCEPTABLE TO WASHINGTON. HE PERSONALLY FEELS THAT DISCUSSIONS HAVE NOW TOUCHED ON SUBSTANTIVE NEGOTIATIONS AND UNDER STANDING INSTRUCTIONS, SEEKS GUIDANCE AND INSTRUCTIONS. END FYI.)

9. AS RESULT OF IN-HOUSE DISCUSSIONS REFERRED TO IN PARA 8 ABOVE US VIEW IS THAT, AS A MATTER OF TACTICS, USG SHOULD INFORM THE EGYPTIAN GOVT THAT THE LATEST EGYPTIAN PROPOSALS ARE UNACCEPTABLE. WE BELIEVE AT THIS STAGE EGYPTIANS SHOULD BE INFORMED THAT BECAUSE OF CONGRESSIONAL AND POLITICAL PROBLEMS, AND THE DESIRABILITY OF COOPERATIONS OF BOTH GOVTS ON A COMMON OBJECTIVE TO SETTLE THESE CLAIMS AMICABLY AS PREVIOUSLY DISCUSSED IN APRIL WITH DEWIDAR, WE SHOULD PURSUE DISCUSSIONS FOR SETTLEMENT ON THE BASIS OF A GLOBAL LUMP SUM. IT IS THE BELIEF OF THE USG THAT THE LATEST EGYPTIAN PROPOSALS ARE MOVING AWAY FROM THAT DIRECTION. CASE BY CASE VERIFICATION BY JOINT COMPENSATION COMMITTEE APPEARS LESS DESIRABLE AND USEFUL, BOTH FROM POINT OF VIEW OF OPTICS AND FROM POINT OF VIEW OF AGREEING ON A SATISFACTORY GLOBAL LUMP SUM.

10. IN VIEW OF FOREGOING, IT APPEARS THAT TALKS HAVE REACHED A CROSS CONFIDENTIAL

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ROADS. WE HOPE TO TELL THE EGYPTIANS THAT THEIR PROPOSALS AS REPORTED ABOVE ARE UNACCEPTABLE. USG COUNTER PROPOSALS MIGHT BE IN TERMS OF TWO OPTIONS: A. ASK THE EGYPTIANS FOR A GLOBAL LUMP SUM FIGURE , OR B. USG WOULD PROVIDE SUCH FIGURE. ON BALANCE IT WOULD SEEM MORE ADVANTAGEOUS TO OPT FOR B BY PROVIDING A FIGURE BASED ON FIGURES ALREADY STATED IN L LIST WITH OMISSION OF SS AFRICAN GLEN AND AMERICAN MISSION CASES. THIS FIGURE WOULD BE A STATED SUM, INCLUDING A REQUEST FOR INTEREST, WITHOUT SPELLING OUT THE AMOUNT OF INTEREST TIME. WHILE WE WANT TO BE FLEXIBLE, WE BELIEVE THAT ON BALANCE LARGER USG FIGURE WOULD BE BETTER FOR BARGAINING PURPOSES, RATHER THAN LOWER EGYPTIAN FIGURE. SINCE, IN ANY CASE WE ARE STILL FAR APART WE MUST EXPECT CONSIDERABLE BARGAINING.

11. EMBASSY WOULD APPRECIATE DEPT GUIDANCE, ADVICE AND INSTRUCTIONS AS SOON AS POSSIBLE.

12. SEPTELS BEING SENT ON FOURTH, FIFTH AND SIXTH MEETINGS OF JOINT COMMITTEE.
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Disposition Date: 28 MAY 2004
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